



BEACONECONOMICS

Analysis. Answers

The Economic Outlook

Beyond the Headlines

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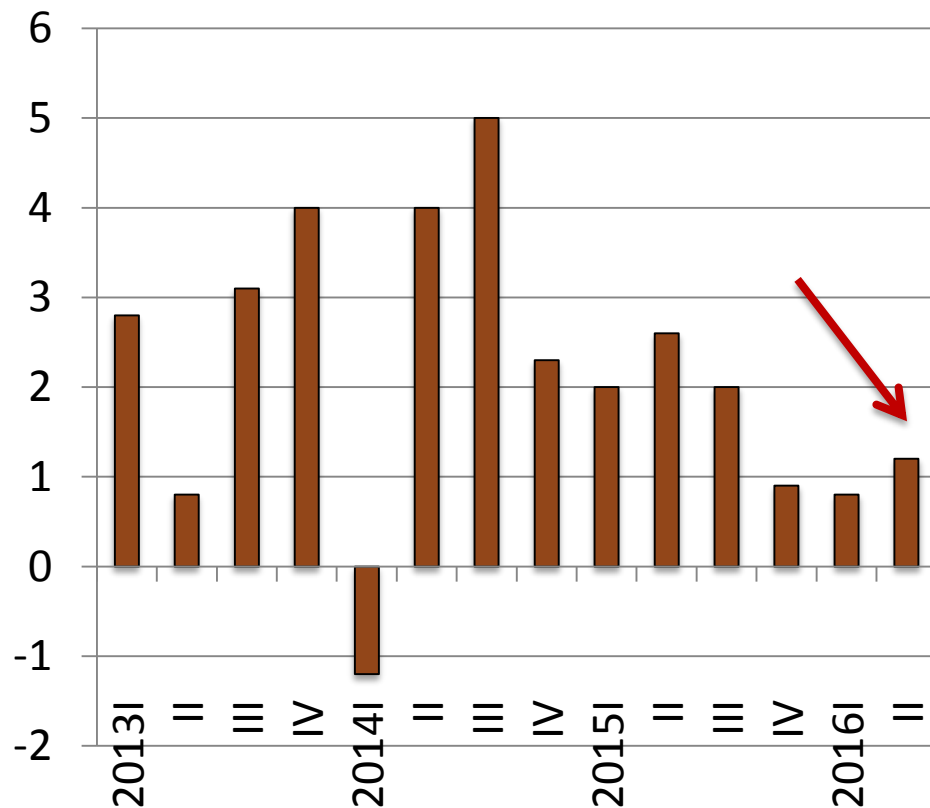
Outline

- U.S. Economy
- California Economy
- Southern California Economy
- Goods Movement/International Trade
- Conclusion

U.S. Economy

Two Views of GDP

Gross Domestic Product



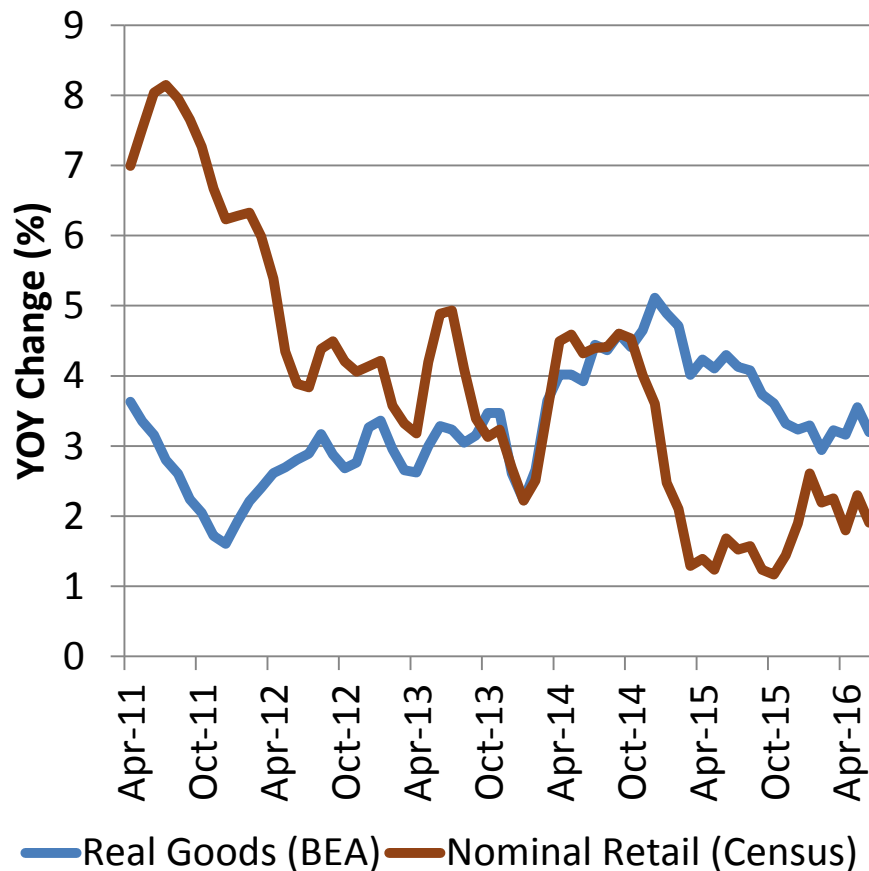
	2013	2014	2015
GDP	1.7	2.4	2.6
Final Demand	1.2	3.3	3.3
Consumption	1.5	2.9	3.2
Goods	3.1	3.9	4
Services	0.6	2.3	2.8
Investment	6.1	4.5	5
Structures	1.4	10.3	-4.4
Equipment	4.6	5.4	3.5
Intellectual Property	3.4	3.9	4.8
Residential	11.9	3.5	11.7
Change Inventories	43.9	-26.7	45.6
Net Exports	2.4	-0.1	-4.5
Exports	3.5	4.3	0.1
Imports	1.1	4.4	4.6
Government	-2.9	-0.9	1.8
Federal	-5.8	-2.5	0
State and local	-0.8	0.2	2.9

Key Sectors of Macroeconomy

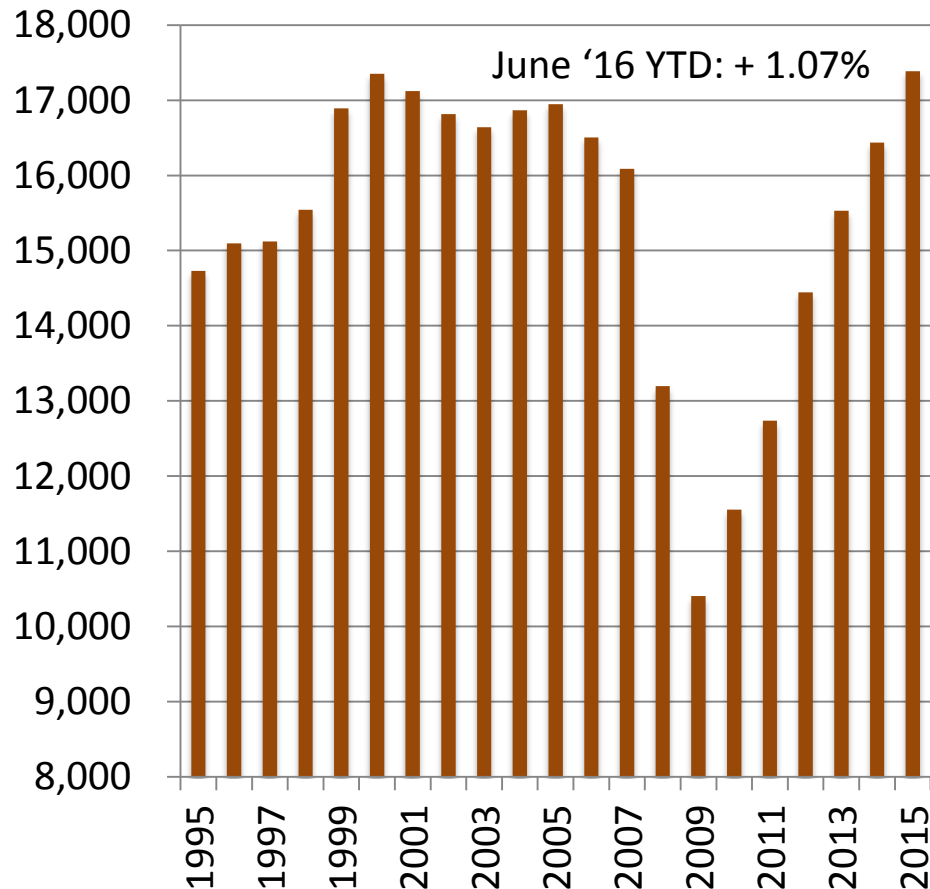
Consumer/Households	↑
Business/Capital Expenditures	↓?
Government	↑
International Trade	↓
Other Macro Indicators	
Labor Market	↑
Inflation	!

Consumer Spending- Flywheel of Economy

Real Spending on Goods MA(3)



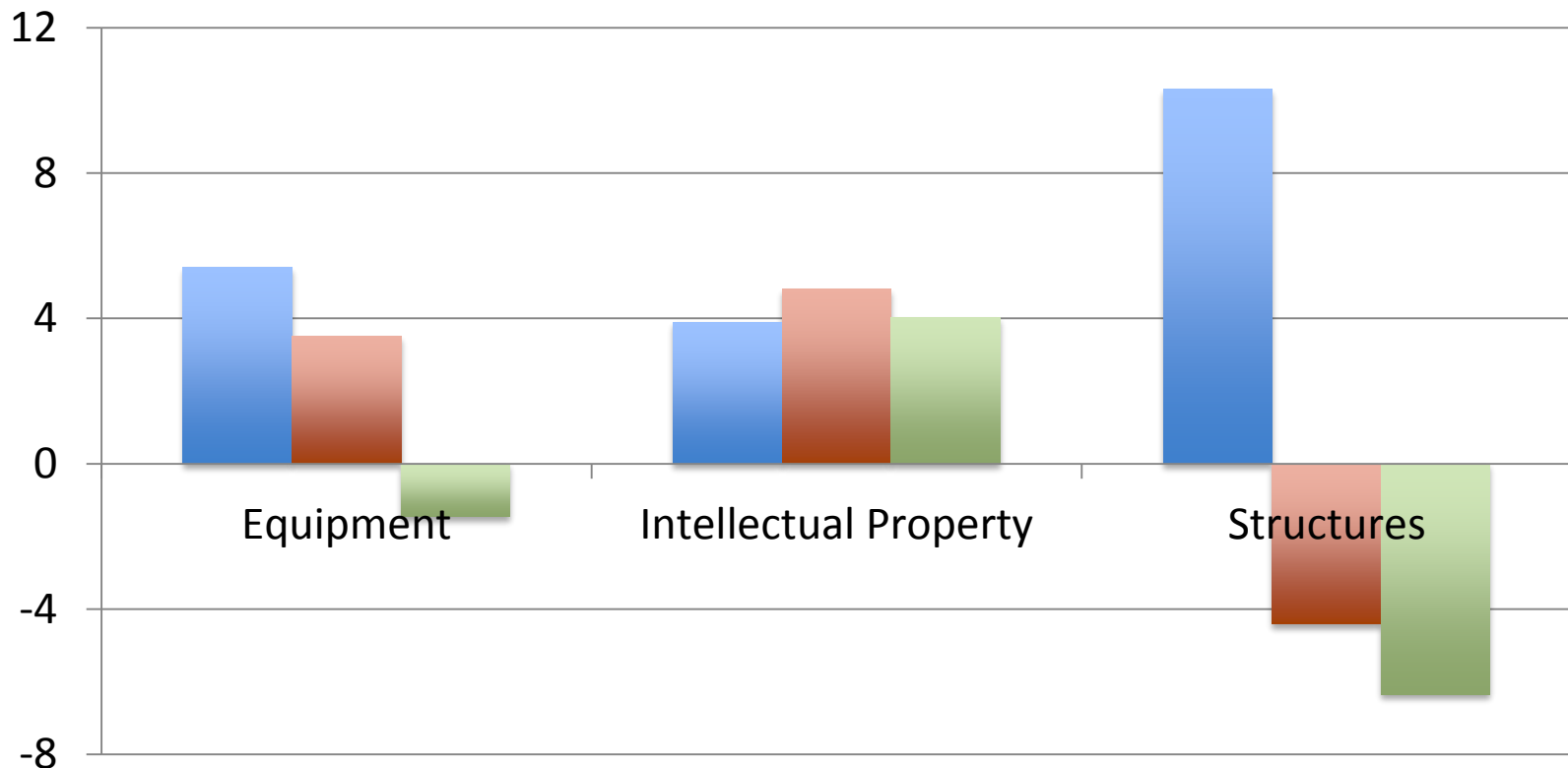
Annual Auto Light Truck Sales



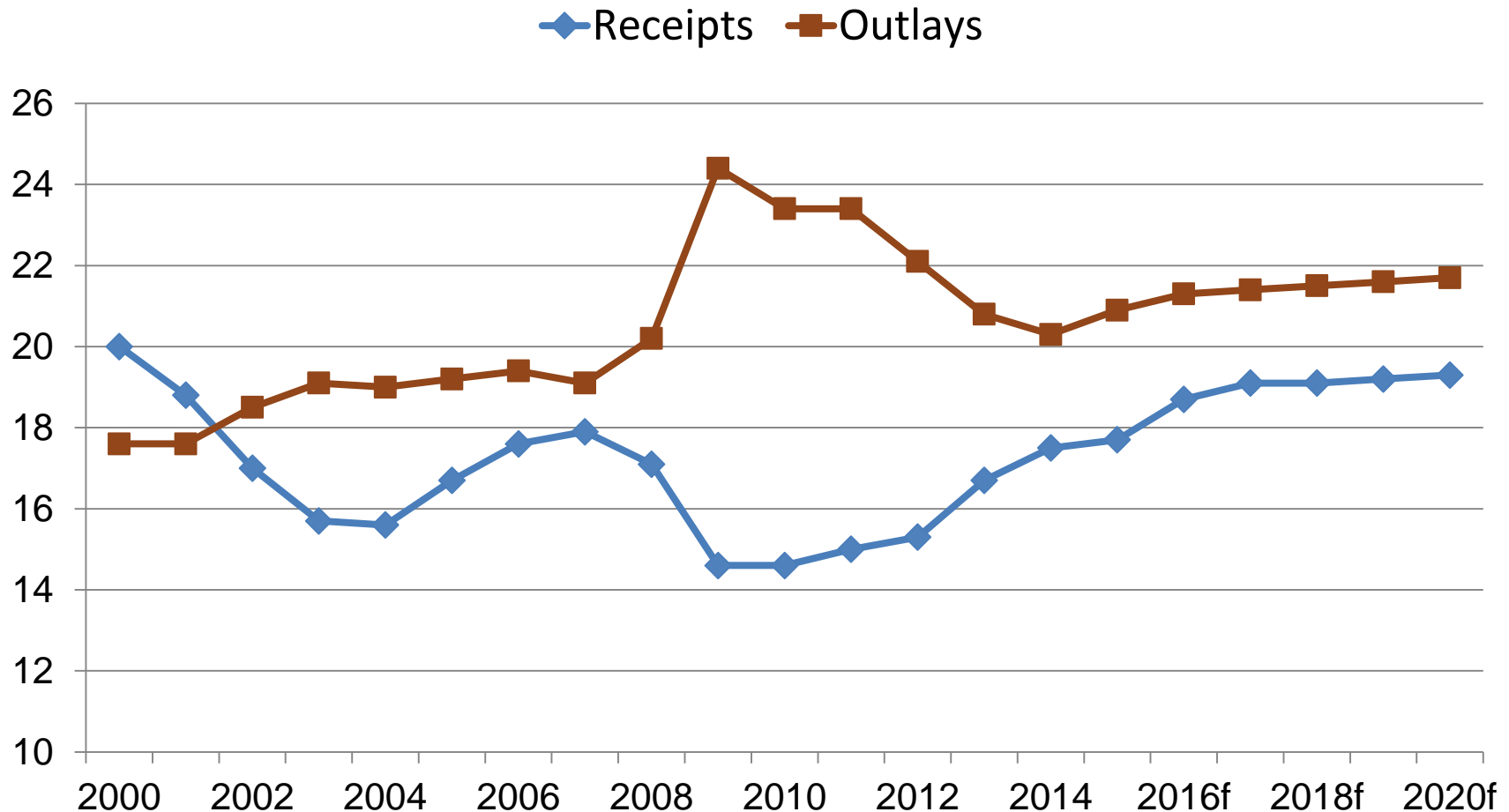
Business Investment Spending Mixed

Annual Percentage Change, chained 2009 dollars

■ 2014 ■ 2015 ■ Q2-15 to Q2-16 (YTD)

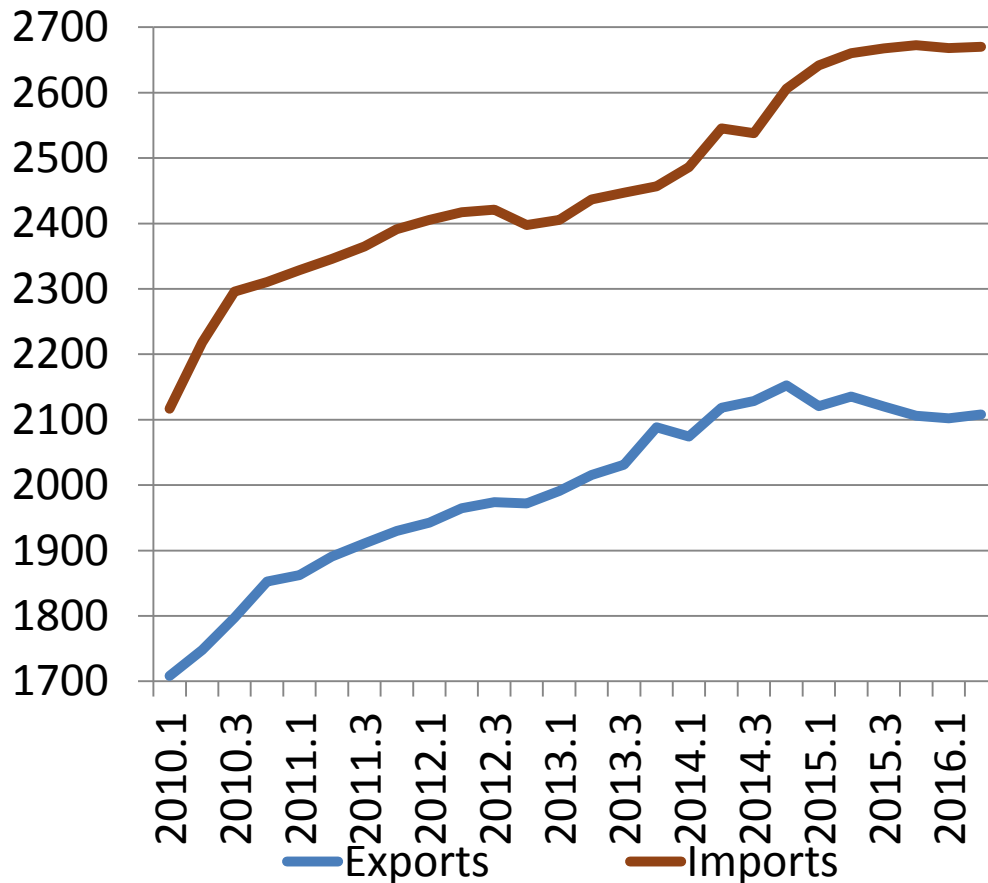


Federal Budget Receipts and Outlays as % of GDP



International Trade

Real Imports and Exports



**Change in Nominal Goods Trade
2014 to 2015**

	Exports	Imports	Bal.
Total	-104.4	-87.3	-17.1
Canada	-28.8	-45.8	17
Netherlands	-2.8	-3.9	1.1
Belgium	-0.6	-1.2	0.6
India	0.3	-0.1	0.4
Germany	0.2	0.3	-0.1
Taiwan	-0.5	0.1	-0.6
Japan	-3.5	-2.7	-0.8
France	-1.1	0.6	-1.7
UK	2.8	4.5	-1.7
Italy	-0.9	1.7	-2.6
Korea, South	-0.6	2.8	-3.4
Mexico	-3.6	1.3	-4.9
Brazil	-10	-2.3	-7.7
China	-5.7	17.8	-23.5

International Trade

- Imports fueled by growing US incomes
- Exports
 - Value of dollar
 - Global economic performance
- Exports to China as % of GDP:
 - US: 0.96%
 - CA: 1.10%
- Global Integration
 - Economic system:
 - U.S. linkages limited: Domestic spending=93% of GDP
 - Ripple effects more likely in financial markets

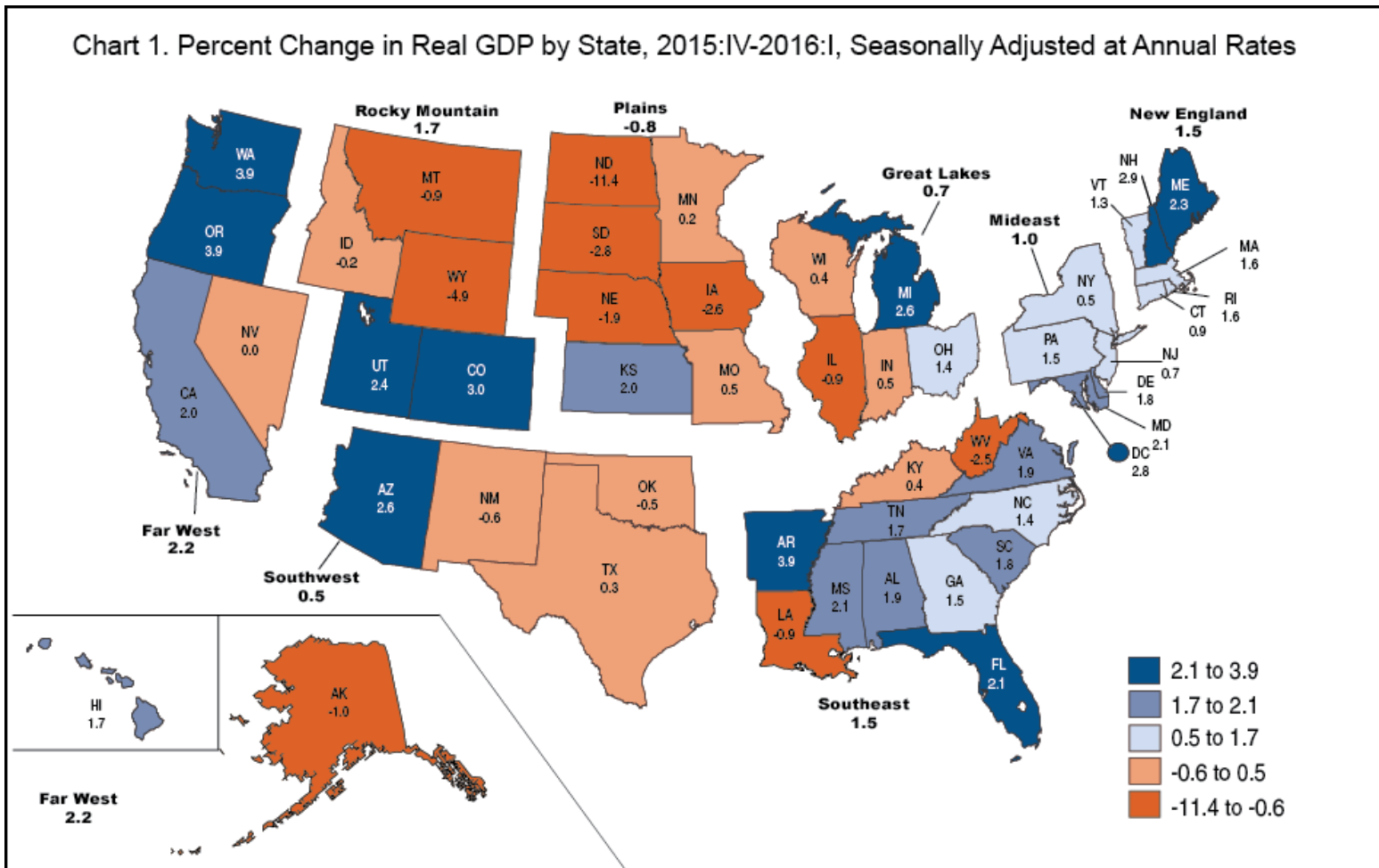
U.S. Outlook

- Continued US Economic Growth: ~2.0%
- Domestic Spending Intact:
 - Consumers
 - Businesses
 - Government
- US Isolation Limits Global Spillovers
- Oil Price Plunge: Oil Glut
- Financial Market Volatility/Fed Rate Hikes:
Savings Glut
- Secular Stagnation

California Economy

CA Among Faster Growing States (2.0%)

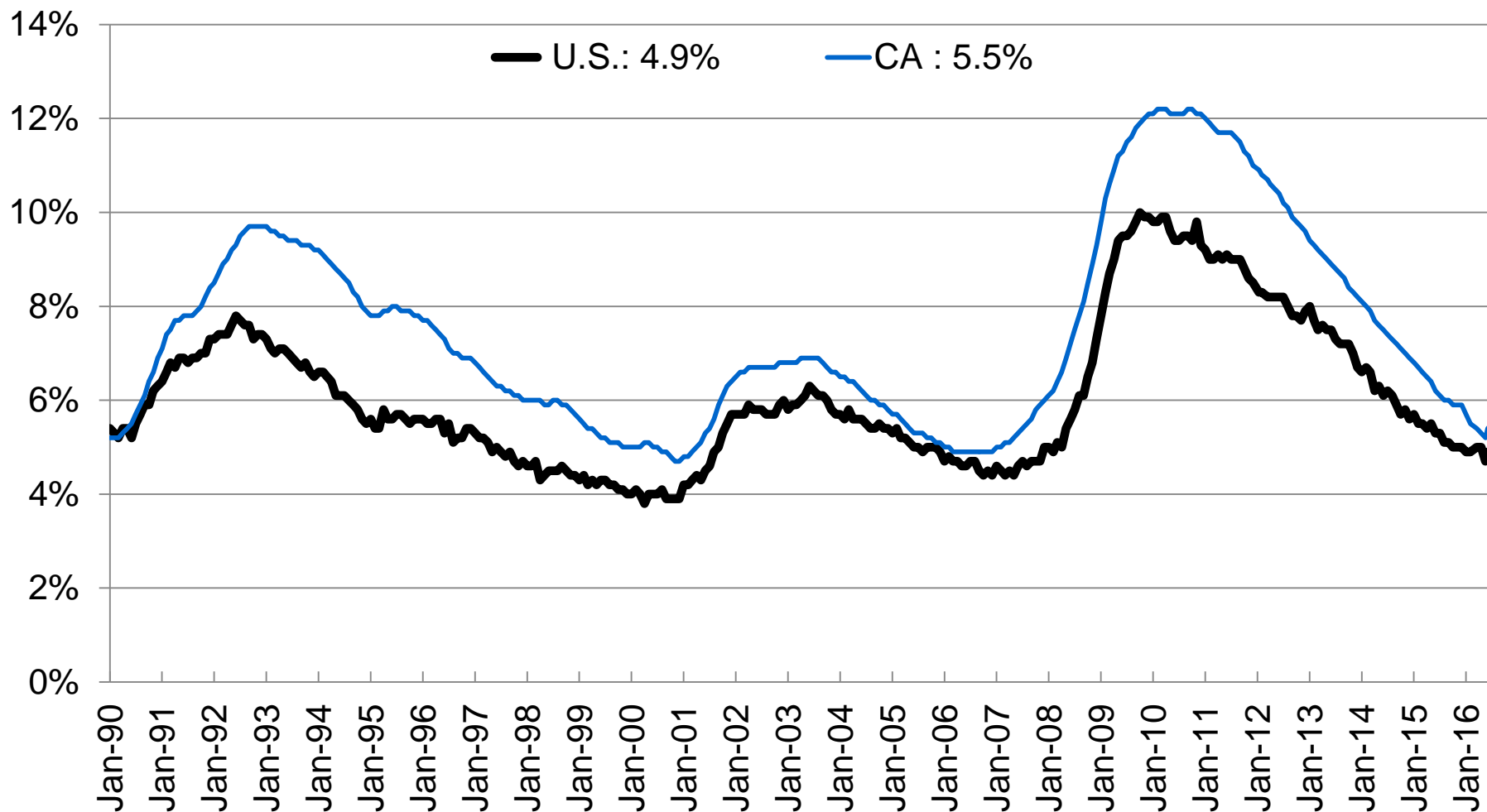
Chart 1. Percent Change in Real GDP by State, 2015:IV-2016:I, Seasonally Adjusted at Annual Rates



U.S. Bureau of Economic Analysis

CA Unemployment Rate Falling Quickly

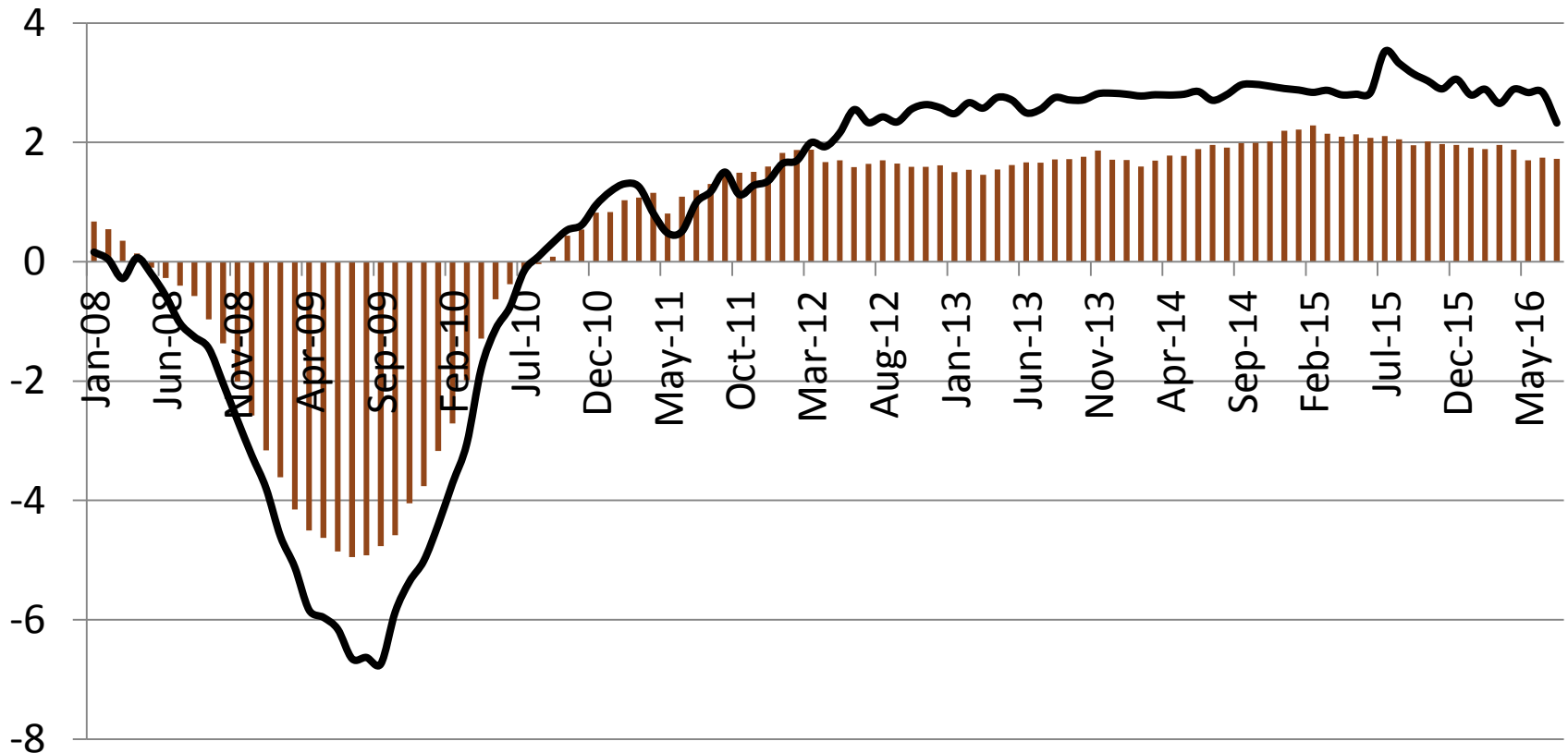
Unemployment Rate, Seasonally Adjusted



CA Adding Jobs Faster than U.S.

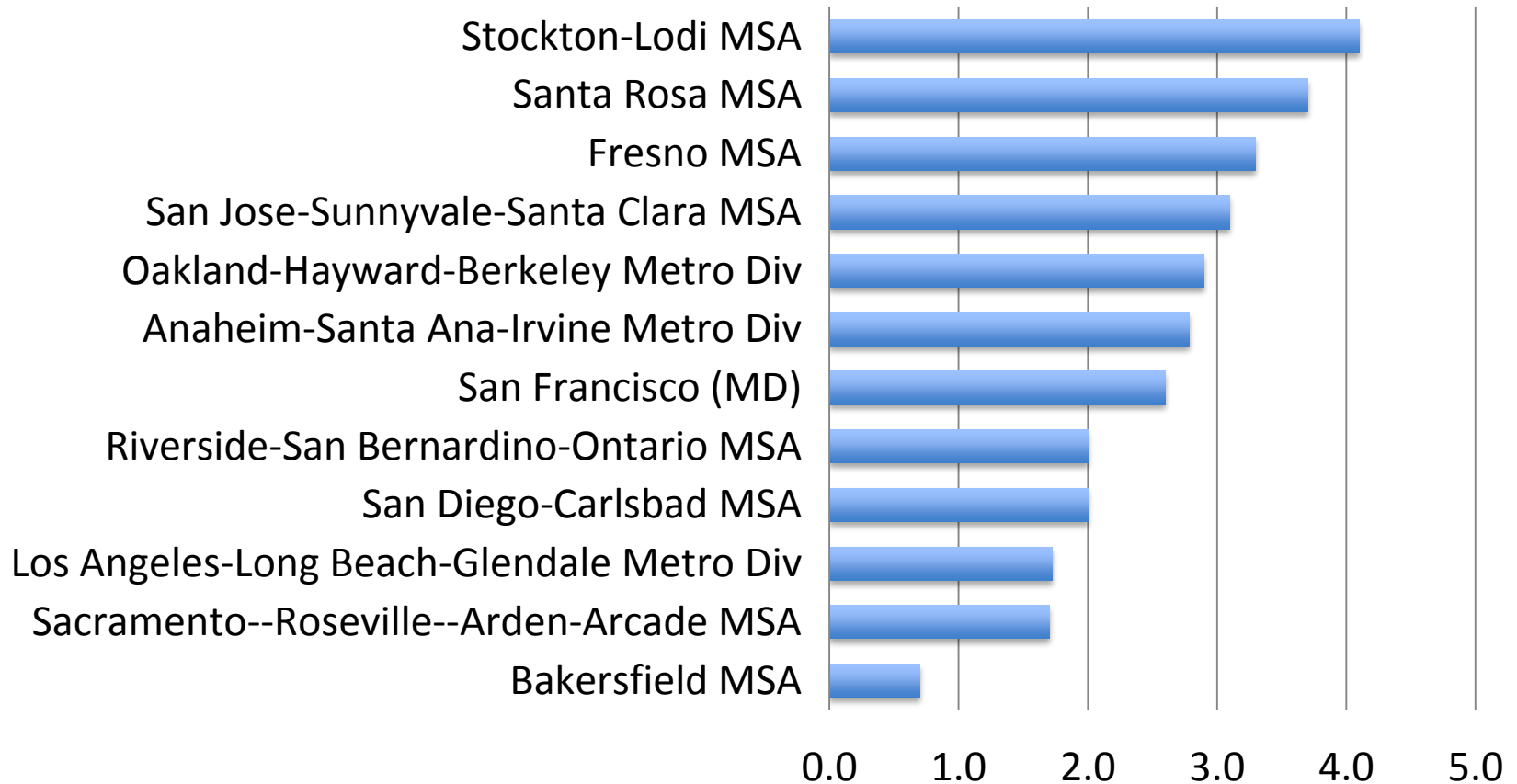
YTY % change in nonfarm jobs, seasonally adjusted

■ US: +1.7% — CA: +2.3%



Job Gains Across California

YTY % Change Jobs (Jul'16)



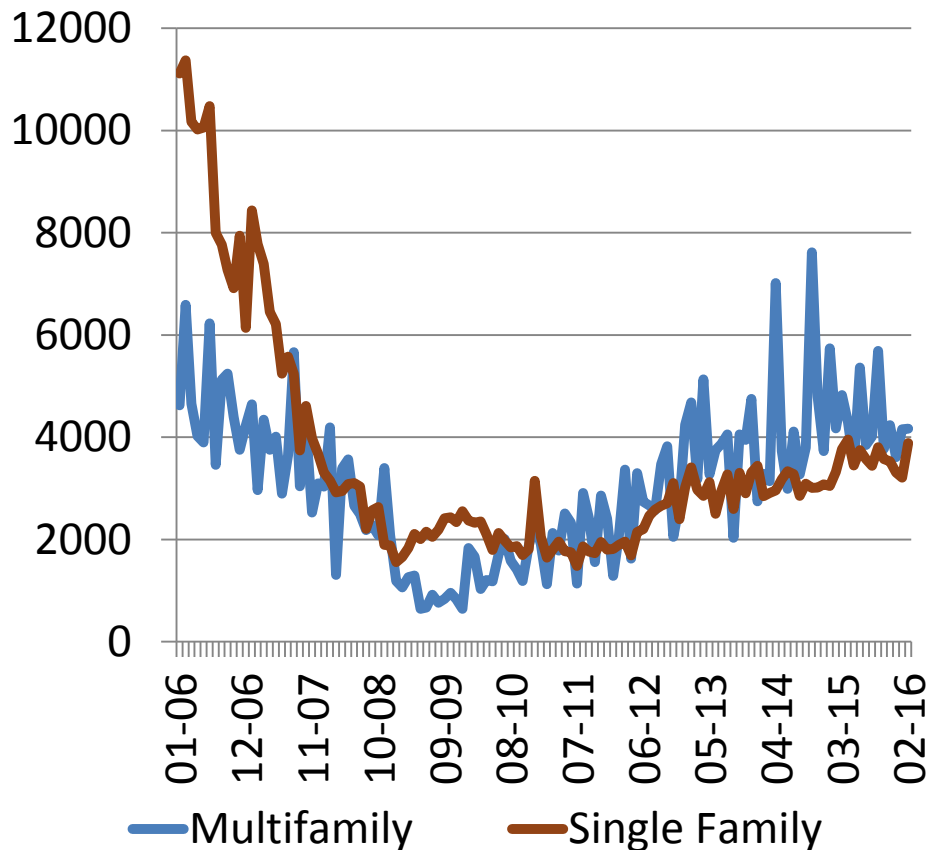
Absolute Job Gains, Selected MSAs

• Bakersfield	1,900
• Santa Rosa	7,400
• Stockton/Lodi	9,000
• Fresno	10,700
• Sacramento	15,400
• San Francisco	27,000
• Riverside/SB	27,500
• San Diego	28,100
• Oakland	31,400
• San Jose	32,600
• Orange County	43,000
• Los Angeles	74,000

Note: Seasonally Adjusted Figures by MSA Shown

Pace of Construction

California Permits



New Pop / Permits

California	4.1	Tulare	4.0
Ventura	6.8	Los Angeles	4.0
Contra Costa	6.6	Fresno	4.0
Sonoma	6.1	San Mateo	3.4
Alameda	5.9	Kern	3.0
Santa Barbara	5.3	Santa Clara	3.0
San Bernardino	5.0	Orange	2.8
Solano	4.6	Placer	2.1
Riverside	4.5	San Francisco	2.1
San Diego	4.2	Sacramento	0.7

California Outlook

- Continued Economic Growth in State/Regions
- Job Gains Across Spectrum of Industries
- Strength in Healthcare, Tech, Medical, Construction, Tourism
- Venture Capital in 2016 (first half 2016):
 - CA: \$16.6 B
 - Other 49 States: \$11.4 B

L.A. County/ Southern California

LA and Southern CA are BIG!

California

Population: 39 million, largest state

- Gross State Product: \$2.46 trillion, 6th largest economy in the world (US, China, Japan, Germany, UK)

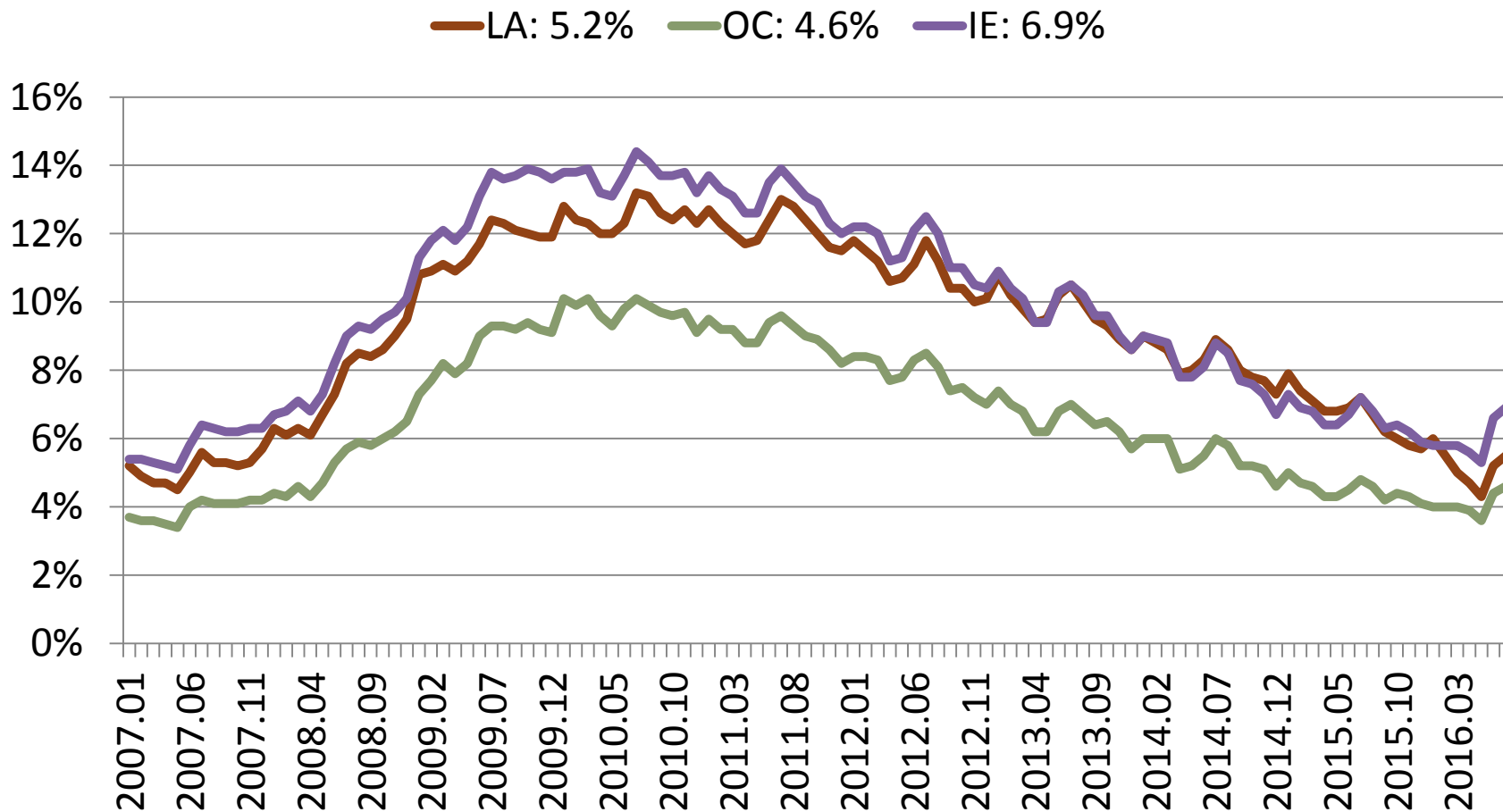
Los Angeles County

- Population: 10.2 million, larger than all but 7 states
- Gross County Product: ~\$670 billion, 20th largest in world

Southern California (LA, OR, RV, SB, VN)

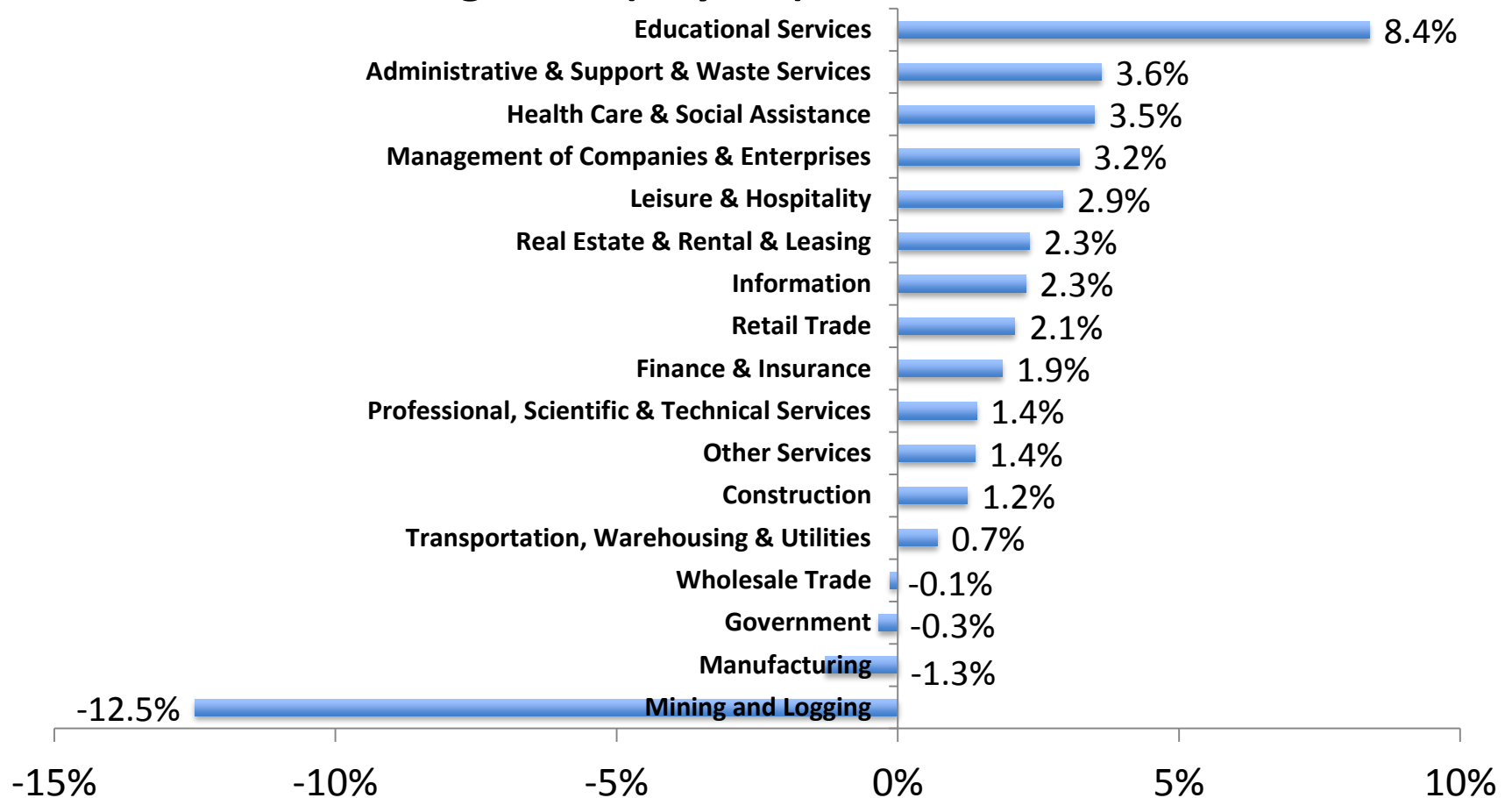
- Population: 18.6 million, after CA, FL, TX, NY
- Gross Regional Product: \$1.1 trillion, 16th (larger than Indonesia, Switzerland, Saudi Arabia)

Southern California Unemployment Rates



Los Angeles Job Changes by Industry

YTY % Change Jobs (July '16)/ Total Nonfarm: +1.8%

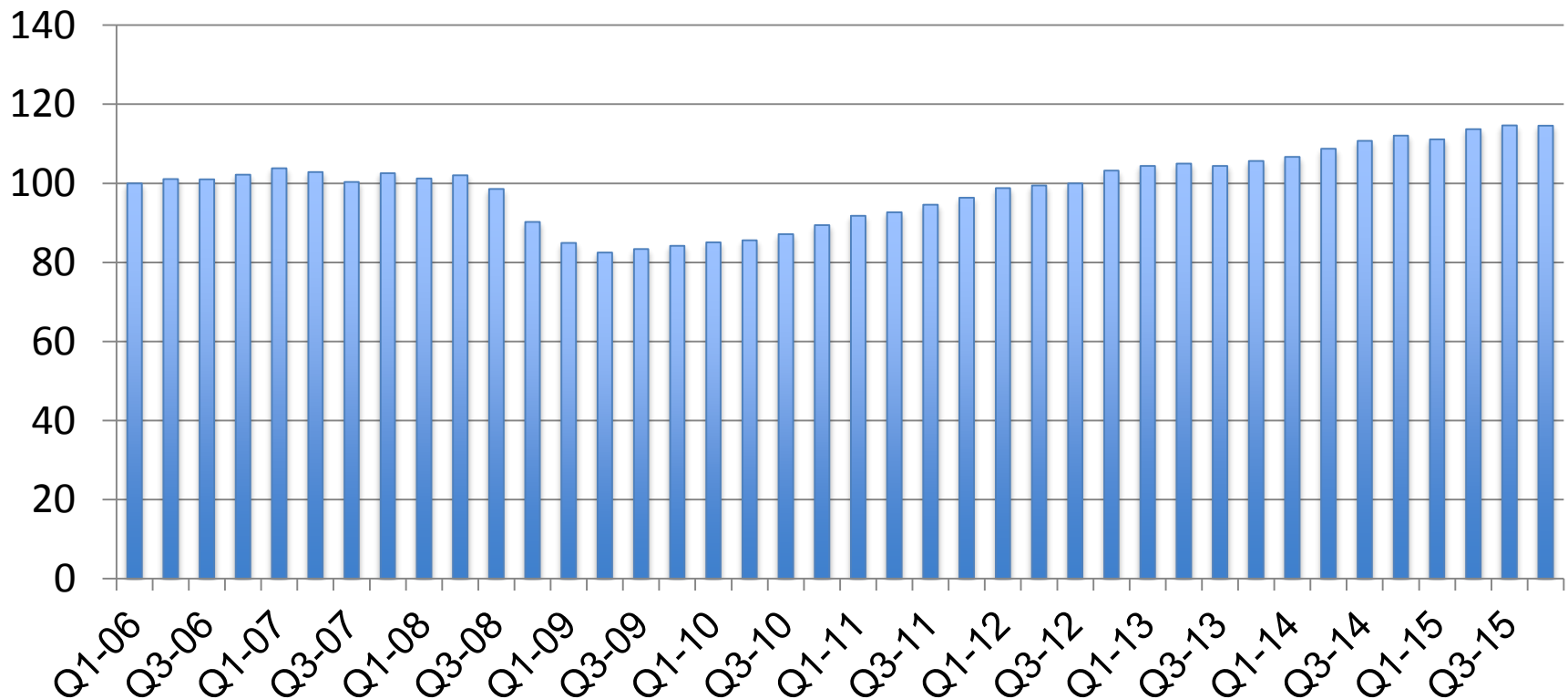


LA County: Largest Job Gains By Industry

• Health Care	21,800
• Leisure and Hospitality	14,600
• Admin Support	9,500
• Education	9,000
• <u>Retail Trade</u>	<u>8,700</u>
• SUBTOTAL	63,600
• TOTAL (NSA)	75,900

Taxable Sales (2006=100)

Los Angeles County (2015: +3.6% YTY)



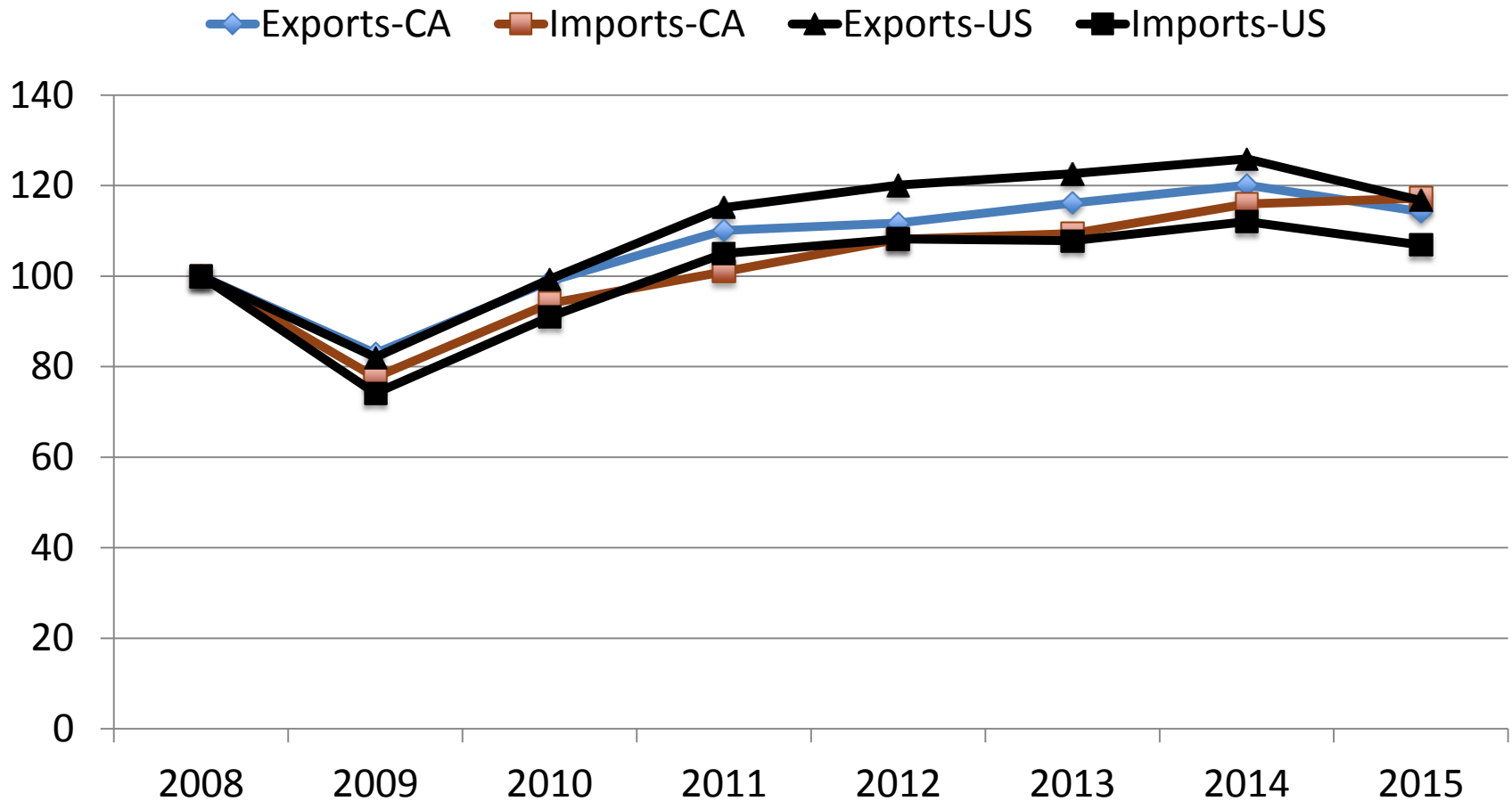
So Cal Housing: Mixed Performance

				Price Change		Sales Change	
County	August 2015	July 2016	August 2016	MTM %	YTY %	MTM %	YTY %
Los Angeles	\$492,360	\$513,700	\$517,400	0.7%	5.1%	2.6%	5.4%
Orange	\$714,380	\$734,000	\$749,000	2.0%	4.8%	8.2%	9.3%
Riverside	\$335,000	\$359,900	\$355,000	-1.4%	6.0%	0.9%	12.1%
San Bernardino	\$230,530	\$248,210	\$243,370	-1.9%	5.6%	1.9%	1.4%
San Diego	\$539,000	\$560,000	\$563,000	0.5%	4.5%	2.6%	7.6%
Ventura	\$620,150	\$644,010	\$652,330	1.3%	5.2%	-3.4%	-5.7%
CA SFH (SAAR)	\$497,520	\$517,650	\$526,580	1.7%	5.8%	1.1%	-2.2%

- Lean inventories: 3.4 months of inventory statewide
- Demand Drivers: job/income growth, low rates, demographics
- Demand Constraints: tight credit standards, size of down payment
- Supply Drivers: rising prices, low rates
- Supply Constraints: time, development costs

Goods Movement/ International Trade

CA Trade Tracks US Closely



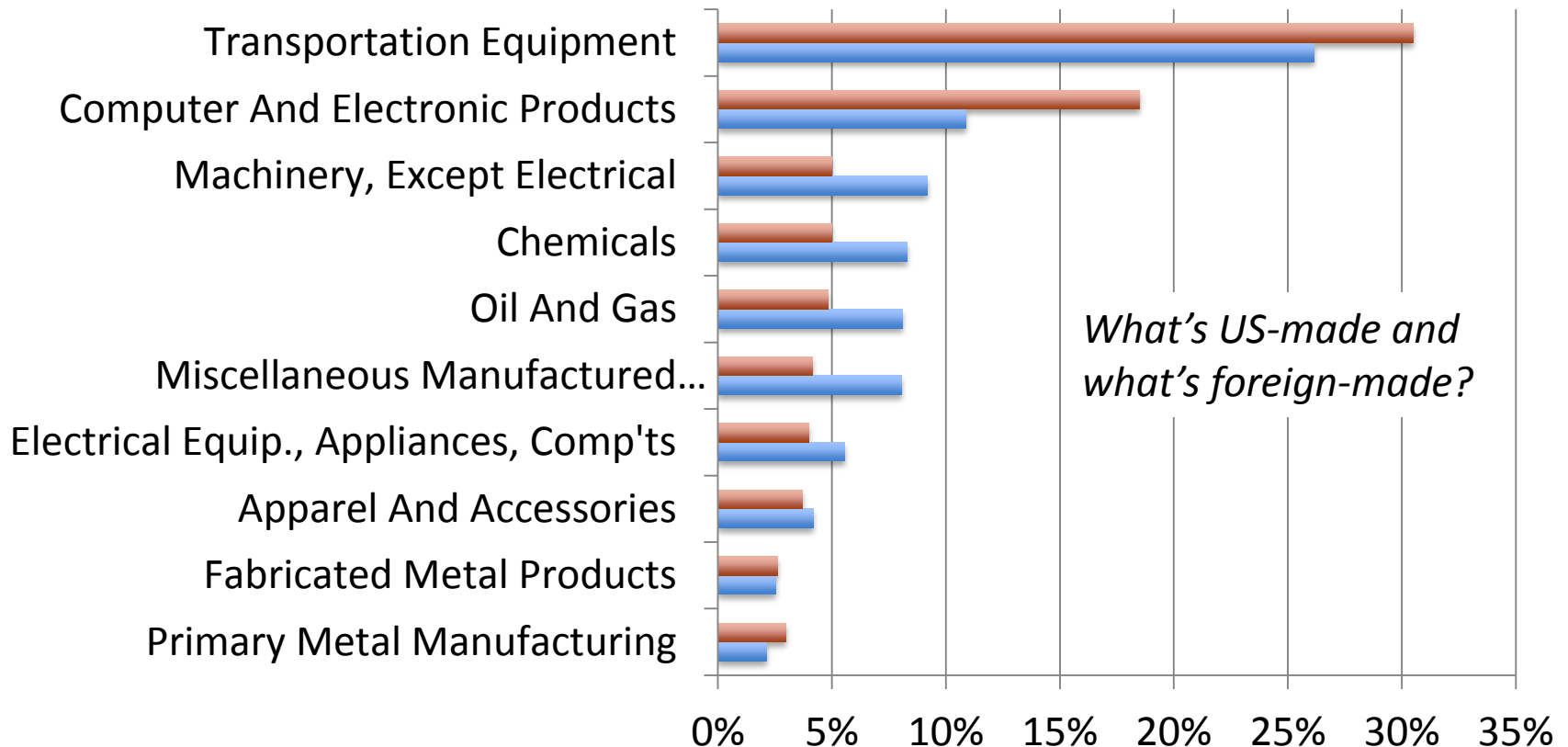
Trade Sector is Important to CA

- 35-40% of inbound containers from Asia into San Pedro Ports
- 7.2% of CA jobs (trans & warehousing + whsl)
- 7.9% of Gross State Product
- CA: 11% of US Imports, 18% of US Exports
(Note: CA was 14% of US GDP in 2015)

CA Imports What it Exports

Largest Categories of Imports/Exports as % of Total

■ Imports '15 ■ Exports '15



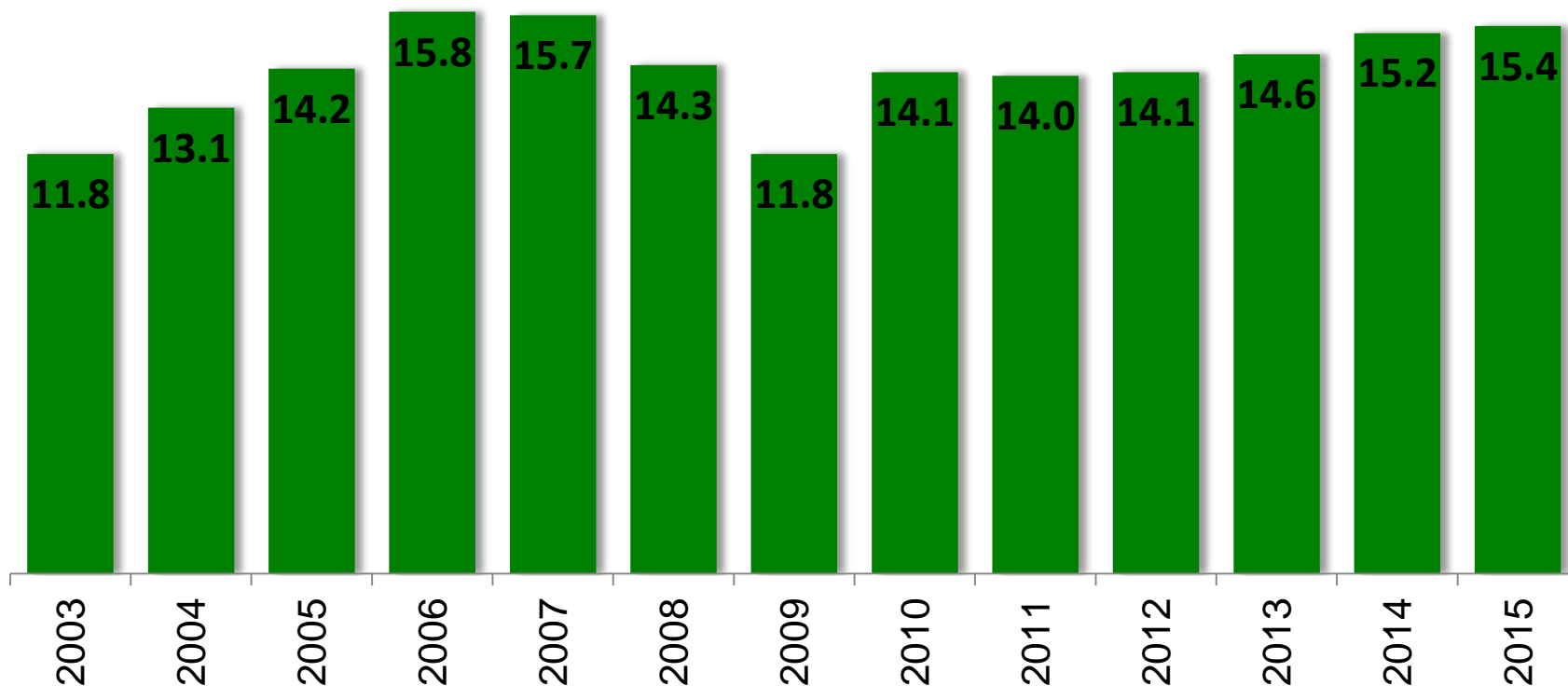
Container Throughput San Pedro Ports on Track for Record Year

July '16 YTD %

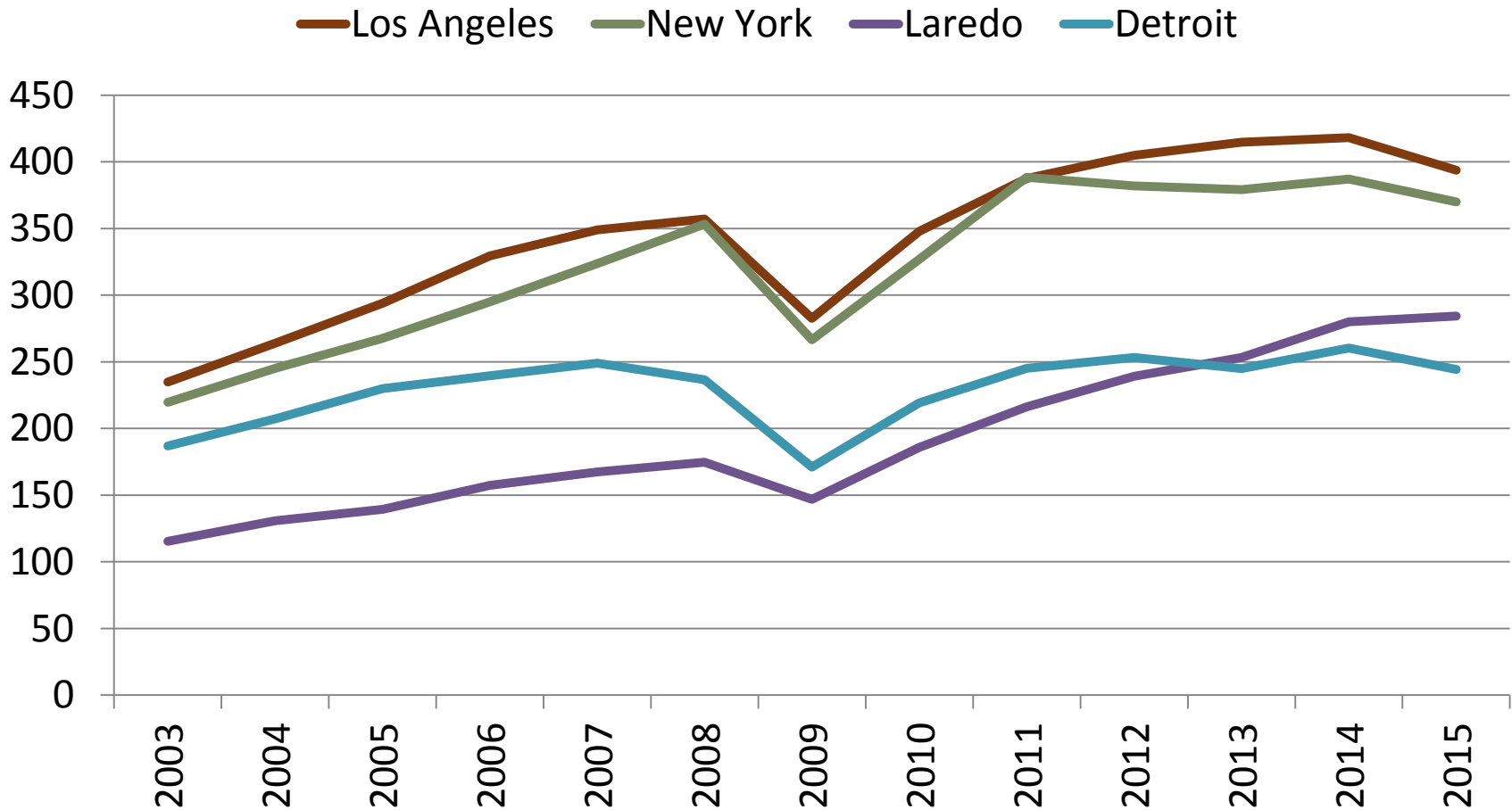
Total: +1.7%

Inbound Loaded: +1.0%

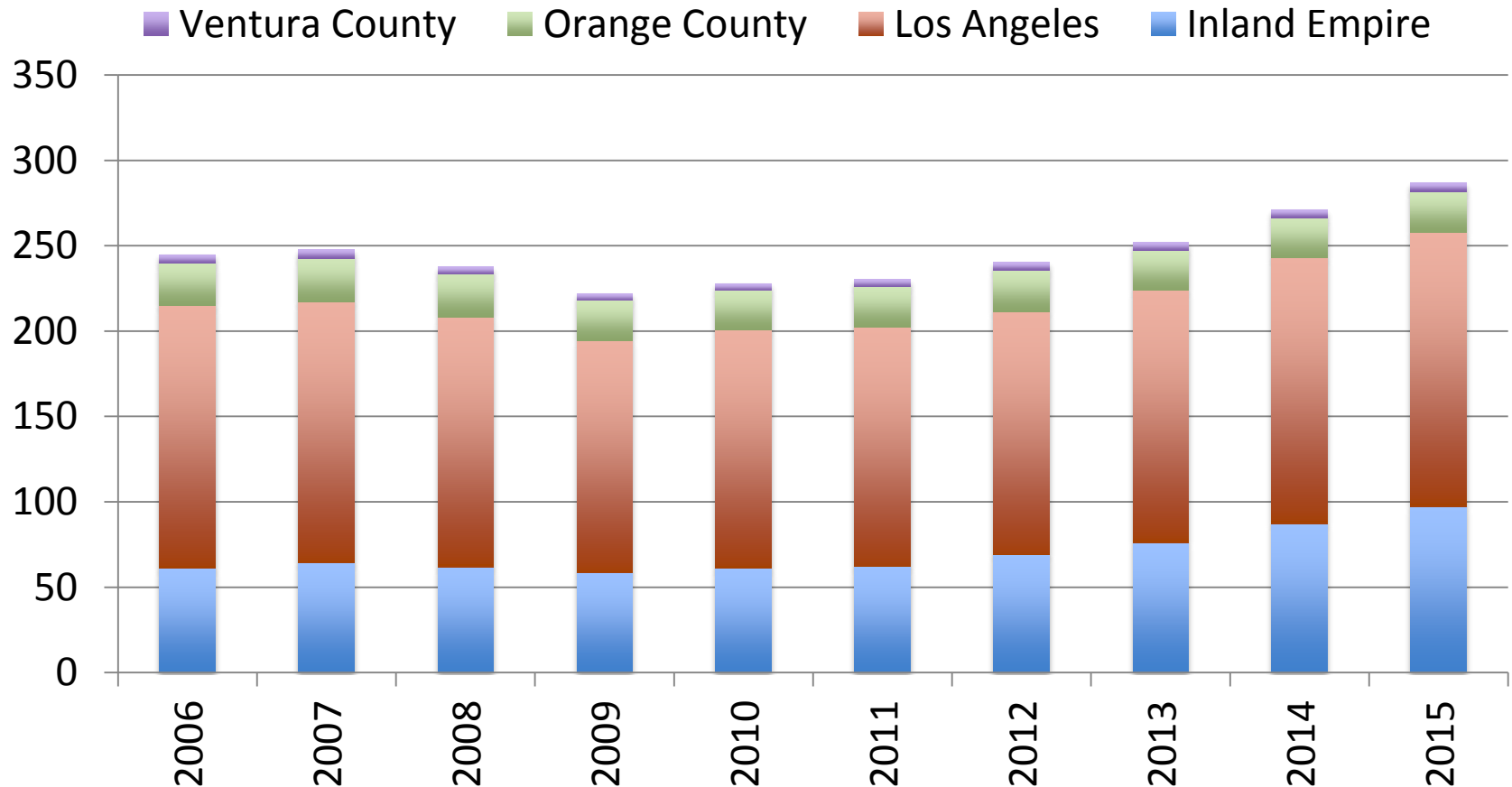
Outbound Loaded: +1.5%



LACD: Top Customs District



So. Cal Transportation & Warehousing Employment



Conclusion

Conclusion

- Continued Economic Growth: US and CA
- Income Gains Support Growth in Spending
- California Outpacing US
- Job Gains in Most Local Industries
- Real Estate/Construction Outlook Mixed



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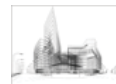
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